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CIA Projects Huge Increase For OPEC Cash Accounts

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Continuously soaring world oil prices will raise current cash accounts of Organization of Petroleum Exporting Countries (OPEC) to \$29 billion—a twentyfold increase—by the end of 1979, according to Central Intelligence Agency projections.

However, senior Department of Energy officials said the CIA's estimates being circulated in the administration may be too low if OPEC raises its prices from an average price of \$17.11 for a barrel of crude oil to \$20 across the board.

The CIA's projection of a sharply improved financial outlook for the oil cartel comes at a time when fears are being expressed in the White House and in oil industry circles that the end to oil price hikes still may not be in sight.

The prospect of world oil prices pegged at \$20 a barrel—a price that for years many international oil analysts believed was unlikely—has gripped the world oil market. Four of the cartel's producers, Algeria, Nigeria, Libya and Ecuador, now are selling oil at an "official"-posted price of \$20 or more a barrel. Libya charges \$21.31 for its premium crude oil.

Other exporters outside the cartel, including Malaysia and England's British National Oil Corp., also are charging more than \$20 a barrel, and analysts say that Mexico and Norway soon will follow suit.

One oil analyst, William Randall of Blyth Eastman Dillon, offers this outlook: "At an absolute minimum OPEC will raise prices to over \$17 a barrel, and that means it for sure is headed for \$20 by the end of the year."

Fahdil Chelabi, OPEC's deputy secretary general, recently offered a similar view, suggesting that \$19.50 a barrel was "a rational price" for oil.

Meanwhile, the cartel's benchmark price of \$14.55 a barrel for Saudi Arabia's light oil—once considered the standard index for world oil prices—bears virtually no resemblance to oil prices anymore.

World oil prices have risen a total of 31 percent since the 13-member cartel met in Abu Dhabi last December, according to Treasury Secretary W. Michael Blumenthal, and further increases are likely.

What disturbs senior administration officials are the increases in the

prices for oil sold on contract, not in prices in the volatile spot market, where almost an half-million barrels of Ecuadorian oil was sold recently for \$36 a barrel.

As for the possibility of a slowdown in the oil price rises, State Department officials say they see little prospect that Saudi Arabia will increase production enough to moderate prices.

"Unless the Saudis use their spare capacity, their talk of moderation simply can't be taken seriously, particularly after they made the decision to cut back production earlier this year," according to one administration official.

According to Bankers Trust Co., this move was already in place long before the Iranian oil shutdown. "Saudi announcements and action over the past year suggest the kingdom is unlikely to reemerge as a champion of low prices even if conditions later permit," Banker Trust said in a recent report.

In addition to Saudi Arabia's reluctance to increase its production, now about 8.5 million barrels a day, prospects for higher world oil prices are fed by the OPEC nations rising internal financial demands.

Last year some cartel members, including Saudi Arabia, its richest member, had financial difficulties.

The CIA analysis says, "The current account of all the member countries will improve, easing many of the financial burdens plaguing the cartel." Even with higher oil prices, however, the CIA says that three cartel members—Algeria, Ecuador and Venezuela—will have deficits in their current accounts this year.

The current account is a measure of a nation's income after totaling earnings and payment for trade, services, tourism and earnings on foreign investments.

The CIA's projection of a \$29 billion current account surplus for OPEC members assumes that Iran's spending on imports this year will drop to \$11 billion, 55 percent below last year's level.

Individual current account balances are expected to range from a projected deficit of \$4.2 billion in Venezuela to a surplus of \$10.2 billion for Kuwait.

Meanwhile, Saudi Arabia's import expenses for 1979 are expected to rise at only half the rate they did in 1978.

As a result of the sharply higher oil prices, the International Monetary Fund says that the less developed oil importing countries will pay \$45 billion, instead of the earlier projected \$34 billion, for OPEC oil this year.

As for the United States, Treasury officials say that the nation's oil import bill will rise from \$42 billion last year to \$52 billion or perhaps \$55 billion this year.

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